K mart Reverses '85 Ad Strategy with More National Spots

	1984			1985			
	Network	Spot TV	Total TV	Network	Spot TV	Total TV	% Change
Sears*	$139.3	$20.0	$159.3	$97.7	$22.4	$120.1	−25%
J.C. Penney	34.0	14.2	48.2	46.3	14.2	60.5	+26
K mart	42.1	12.9	55.0	16.2	17.2	33.4	−39
Montgomery Ward's	—	10.4	10.4	—	8.9	8.9	−14

NEW YORK — While K mart is the largest discount store chain in the country, it ranks second in total television expenditures among retailers behind Sears, reported the Television Bureau of Advertising (TVB).

In 1985, Sears outspent K mart by nearly $87 million.

Over the past five years, K mart appears to have taken a two steps forward, one step backward approach to television advertising expenditures, while Sears and J. C. Penney have steadily augmented their budgets.

In 1981, K mart spent a total of $34,149,600 for network and spot advertising combined, reported the New York-based Television Bureau of Advertising, which tabulates data from Broadcast Advertisers Reports.

The discounter boosted that figure 17% to $39,916,300 the following year, which was accompanied by a major switch from spot-intensive advertising to network-intensive.

Network spending went from nearly $12 million to more than $32 million, while local advertising shrank to about $7 million from $22 million.

In 1983, the chain turned around and cut total expenditures by 18% to $32,557,200.

The spending direction was reversed again in 1984 when K mart budgeted a total of $54,994,500, a 69% increase. But during 1985, spending was cut by 39%.

So far this year, it appears as if the spending pendulum will remain on the cutting side. For the first three quarters of 1986, K mart spent a total of $15,539,800, or less than half all of last year's $33,406,200 budget.

Steady Pace

In comparison, Sears, the top spender among retailers, held a steady pace, increasing its television advertising budget by 21% to $87,540,100 from 1981 to 1982, adding 33% more in 1983 and an additional 20% in 1984.

While it's still too early to draw conclusions about 1986, by September Sears had spent $31,451,300; by the third quarter of 1985 Sears had spent $87,309,300 television ad dollars.

From 1981 to 1982, J. C. Penney cut spending by 1%, but numbers since have climbed as the retailer shifted its emphasis to network, instead of spot television.

In 1983, the Penney's budget was expanded by 25%, with most of those dollars devoted to network, not local advertising.

The dollars spent in 1984 were essentially unchanged, $44,364,300 in 1983 versus $44,440,500 the next year. Spot advertising was cut to $10,411,000 from $12,506,600, while network expenditures were increased to $34,029,500 from $31,857,700.

Spot TV	
1985	1986
$9.0	$7.7
Network	
1985	1986
$1.0	$4.9
Total TV	
1985	1986
$10.0	$12.6

Another way Ambassador is working harder.

Our DPP program is already one year old while the others are barely off the ground.

Ambassador was the first company in our industry to give you a DPP program with its potential for extra profits. While we're doing a little justified crowing about our sophisticated use of computers, we might add:

We were the first company to computerize sales and inventory planning, not by region, but *by individual store* — to increase your return on inventory investment by as much as 30%.

We're the only company that uses computer graphics to tailor displays specifically for *each* of your stores. That way you can be sure to use every inch of space with maximum efficiency and no waste.

We could go on and on, but the main point is this:

Ambassador gives you far more computer services than any other greeting card company because Ambassador is a *Hallmark* company. We draw upon the largest pool of talent in the social expression field. More computer, marketing, research, promotion and display experts. And we know more about selling cards than anyone else in the world.

If you're already our business partner, congratulations. If you're not, please call us at 816-274-4562. Ask for Pat Cullinan, our V.P. in charge of new business. And call collect.

Ambassador

Working harder to make it easier for you.

A Hallmark company.

Chairmen of Major Chains Average $420,100 in Base Pay, Survey Finds

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There were, however, a few exceptions.

Average salaries for senior administrative executives in companies with annual sales of $150 million to $400 million were $188,200, as of August 1986, while in companies with sales of $400 million to $750 million they were $148,800. Salaries for the same post in the smallest sales category averaged $100,000, and in chains with annual sales of more than $750 million, the base was $191,000.

Senior financial executives in chains with annual sales below $150 million also earned more than those in chains with annual sales volumes of between $250 million and $400 million. Salaries for the former averaged $94,200, and for the latter, $85,700. These executives averaged $123,500 annually in companies with sales of $400 million to $750 million and $132,400 in the largest-volume companies.

In merchandising, salaries followed the same progression of higher pay in higher volume chains—in this case, with one exception—but the range from lowest pay to top was far less.

The one exception was division/category merchandise managers in the $400 million to $750 million sales category, whose salaries averaged $77,200, compared to $74,200 in the top-volume chains. In the smallest volume chains, these managers averaged $50,800 and $51,700 in chains with sales of $150 million to $400 million.

Salaries for general/senior merchandise managers ranged from $52,000 in the smallest companies to $116,500 in the largest sales category. Multiple buyers in chains with sales under $150 million made an average of $31,800 annually, compared with $48,900 for hard lines buyers in chains with sales over $750 million.

The NMRI based its report on a survey of 74 firms operating 13,923 discount stores throughout the United States. Salaries were rounded off to the nearest $100. In some cases, firms indicated that decreases in salaries were the result of hiring new personnel to replace long-term employees.

Check Services Cut Loss

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The retailer can control losses, Sussman said, by carefully training sales personnel to check for apparent discrepancies between a customer's appearance and the description or photograph on his identification card.

If proper identification is provided, companies such as Telecheck and J B S guarantee the retailer payment on checks that bounce. All of these services maintain computer data bases listing customers who have written checks that are returned.

The check-writer's name stays in the computer until the check guarantee company is reimbursed. Then the incident is erased from the data base, and the customer has a clear record again. Unlike credit bureaus, these companies do not keep permanent records of bounced checks.

National Brand Outlets, a 21-unit men's wear discounter based in Secaucus, N. J., considered handling its own checks but instead opted for a check approval service for a number of reasons, said Bob Lieberman, N B O's assistant corporate controller.

"The service is both cost effective and serves as a buffer between us and the customer. We'd rather have the service take the blame for rejecting them and for whatever collection methods are used," Lieberman said.

Speed of approval, along with guarantees against loss, was cited by most retailers as a major consideration in their decision to subscribe to a service. Check validation usually takes only a few seconds.

Both Telecheck and J B S offer three systems for linking up with their computers: touch-tone telephones; bank-card terminals, which can also be hooked into check services, and electronic cash registers.

Telecheck requires either a driver's license or one of five major credit cards to approve a check.

J B S has a similar policy and also has arranged with some of its clients to accept regional credit cards. Both check approval firms said their average turndown rate is low, 1% to 2%.

The use of checks, meanwhile, is growing by about 5% a year in the United States, despite efforts by the banking industry to curtail the growth.

Americans wrote more than 40 billion checks last year, and Telecheck, alone, approved more than 60 million of them. While 51% of the population have credit cards, 86% have checking accounts.

"Discounters are beginning to consider check approval services because of the increased customer demand for retailers to accept checks," said Thomas A. Hellegers, Telecheck's district manager for New York and northern New Jersey.

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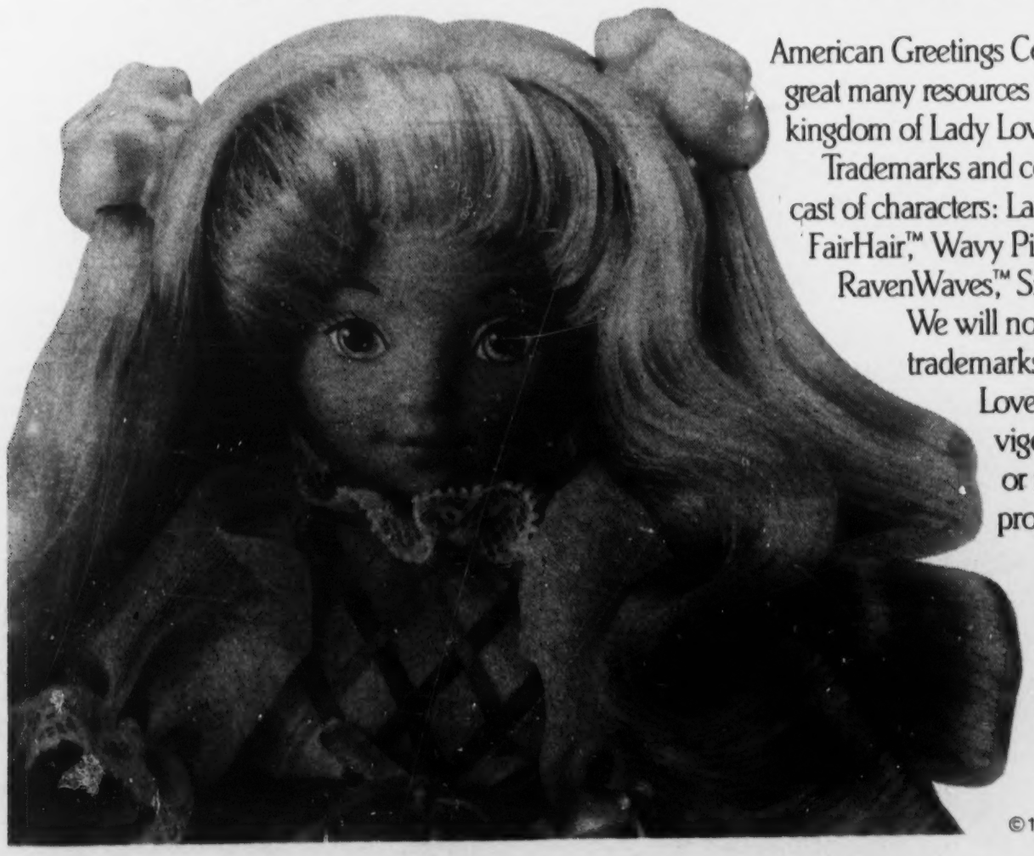

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